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BEFORE THE
SUBCOMMITTEE ON BENEFITS
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
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Chairman Brown and Members of the Subcommittee, I am pleased to be here today to discuss H.R. 1460, the Veterans Entrepreneurship Act of 2003, and H.R. 1712 the Veterans Federal Procurement Opportunity Act of 2003. I welcome the opportunity to collaborate with you on these very important issues. The bills contain a variety of provisions related to small business programs but today I would like to focus my comments on veterans in the federal procurement process.

Both bills would establish mechanisms for creating opportunities for participation by veterans in federal contracting. H.R. 1460 would authorize sole source awards to service-disabled veteran-owned small businesses up to \$5 million for manufacturing contracts and \$3 million for non-manufacturing contracts. The legislation would also establish a set-aside for competition limited to just these businesses. H.R. 1460 focuses on setting-aside contracts for small businesses owned and controlled by service-disabled veterans, whereas H.R. 1712 would

be broad reaching in its effect on all federal small business procurement programs. For example, H.R. 1712 would increase the overall small business procurement goal from 23 percent to 28 percent and require every agency to have agency-specific goals at least equal to the cumulative, government-wide small business procurement goals prescribed in the Small Business Act. H.R. 1712 would also alter the manner in which achievements against these goals are measured and impose inflexible contracting restrictions on agencies if they don't meet any of these goals. We support the procurement provisions of H.R. 1460. We oppose H.R. 1712.

The federal government has done an abysmal job of providing federal contracting opportunities for our veterans. On February 5, 2003, I testified before the Committee on agency implementation of section 502 of Public Law 106-50, the Veterans Entrepreneurship and Small Business Development Act of 1999. That law sets a 3 percent government-wide goal for participation by small businesses owned and controlled by service-disabled veterans in federal contracting and subcontracting. As I testified then, the statistics from the Federal Procurement Data System reflected that agencies were not doing a good job of meeting veterans procurement goals.

As an the initial step to rectify this situation, I issued a memorandum to all agencies reminding them of their goals and asking them to focus their attention on this segment of the commercial market. To assist in locating veteran-owned small businesses, agencies were informed that the Department of Veterans Affairs is creating the VETBIZ Vendor Information Pages which will identify about five thousand veteran-owned businesses. Attached to my

testimony is a copy of that memo. We hope this memo is an effective first step in solving the problem. I would also like to emphasize that this is just a first step.

Friday of last week, I talked to Frank Ramos, the Director of the Small and Disadvantaged Business Utilization Office of the Defense Department. We agreed to establish an interagency working group to address several issues that may be directly impacting veteran-owned small business participation in the federal procurement system. Although we have not yet identified members, we plan on addressing a wide-range of issues, including proper identification of veteran-owned small businesses already participating in the federal procurement system. There are a host of other issues this group can identify and address. This interagency group will work under the leadership of my office and the newly established Federal Acquisition Council. In the near term, we will be establishing short-term and long-term plans for the veteran-owned small business community and the small business community. On Monday of this week, I also addressed these issues with the newly established Small Business Procurement Advisory Council.

I believe we have the recognition and understanding from small business offices within agencies that these numbers must improve. I also believe that two ongoing initiatives will have a significant impact on contracting opportunities available for veteran-owned small business in the executive branch: contract bundling and competitive sourcing. We are increasing federal contracting opportunities for small businesses by eliminating unnecessary contract bundling. Substantially fewer small businesses are receiving federal contracts, and as a result, the federal

government is suffering from a smaller supplier base. To aggressively resolve this problem, the Administration has unveiled a strategy to address contract bundling. With successful implementation of this strategy, we will have reduced a significant barrier to entry and, in doing so, allowed veteran-owned and other small businesses to bring their innovation, creativity, and lower costs to the federal marketplace. We are also in the process of revising the rules governing competition for commercial activities between public and private sources. This would help small businesses which, on average, receive more than 60 percent of the awards made to private sector firms through the OMB Circular A-76 public-private competition process.

The contract bundling and competitive sourcing initiatives promote access to the federal marketplace through competition and provide the framework for delivery of better value for agencies and the taxpayer. I have encouraged restructuring of the current system to allow for greater participation for small and first-time contractors to the federal marketplace. In this context, the Administration strongly supports open competition among qualified firms in the awarding of government contracts. Open competition for government contracts under our free market system ensures that American taxpayers receive the best possible value at the lowest possible price.

Unfortunately, the statutes, judicial interpretations, and regulations have in the small business arena become so confusing and difficult for our procurement people that I am concerned about the ramifications of creating new statutory preference programs. Given the confusing state of small business requirements, and the difficulty in reconciling each program,

our contracting people have become overburdened. I sense an increasingly negative culture toward small business that could be exacerbated by additional statutory requirements. I am also concerned that the procurement preferences that would be created by H.R. 1460 might not achieve the long-term increase in contract awards to firms owned by service-disabled veterans that both the Committee and the Administration would like to see. Statutory changes could provide a quick short-term fix without consideration of long-term ramifications. However, recognizing the need to provide agencies with additional tools for contracting with service-disabled veteran-owned small businesses, we support section 4 of H.R. 1460.

I would also like to point out the extraordinary nature of this proposed preference program for service-disabled veteran-owned small businesses. It is only with extreme caution and reservation that this Administration would support the creation of a new procurement preference program. However, in recognition of the extraordinary sacrifice that service-disabled veterans have made for their country, we support the creation of this preference program. In every other conceivable instance, the Administration's preference will be to err towards open competition among qualified firms. Only through open competition using our free market system can we ensure that we are receiving the highest quality goods and services at the lowest price.

The addition of statutory tools must go hand-in-hand with significant implementation efforts. We need to encourage and train our contracting people to recognize the positive benefits and value of actively including small businesses and particularly veteran-owned small businesses

in our procurement process. Often forgotten in the rush to fill agency needs are the small businesses that can provide many of our agency needs for goods and services. Often times, it is these small businesses alone that bring innovation, creativity and a new perspective to the federal marketplace. It is these businesses that often bring the best value solution to our federal agencies.

There is no question that this Administration is committed to ensuring that veterans are provided every opportunity to fully integrate themselves in their communities upon return from service, and I am personally committed to ensuring that we continue to focus agency performance on improving contracting opportunities for veterans. We must demonstrate to our service personnel that we support them in all that they do and appreciate the sacrifices they have made on our behalf. I look forward to our continued collaboration on veterans issues.